



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
FISCAL YEAR 2012 PROGRAM AND BUDGET INITIATIVES  
**RENTAL ASSISTANCE DEMONSTRATION**

**In Fiscal Year 2012, HUD is requesting \$200 million** to cover the incremental cost of converting public housing, Section 8 Moderate Rehabilitation, Rent Supplement, and Rental Assistance programs to long-term project-based Section 8 contracts **under a demonstration of HUD's proposed Transforming Rental Assistance (TRA) initiative.**

Over the last 75 years, the Federal Government has invested billions in the development and maintenance of public and multifamily housing. To protect the considerable Federal investment and respond to the growing demand for affordable rental housing, we must continue to make standard life-cycle improvements to this inventory, modernize or replace obsolete units, and stem the loss of stock from private sector partners choosing to opt-out of affordable housing programs.

Particularly for public housing, this trend shows no sign of slowing, as the stock **decreases by between .5 percent and 1.0 percent each year.** Additionally, HUD estimates that the public housing inventory faces a **capital needs**



**backlog ranging from \$20 to \$30 billion.** Given this large backlog and fiscal constraints, the Department must find alternative means, other than direct capital grants, to meet these needs. At the same time, the structure of the affordability covenants associated with the public housing program impedes private investment in the stock. This \$200 million is estimated to allow for the conversion of approximately **255,000 public housing units**, in addition to the Rent Supplement, Rental Assistance Program and Moderate Rehabilitation units. The portion of these funds used for Public Housing conversions alone will enable PHAs to **leverage over \$6 billion in**

**private debt and equity capital, creating more than 60,000 direct jobs.** HUD estimates that full conversion of the entire public housing stock (with additional funding in future years), would **allow PHAs to raise nearly \$28 billion in capital in order to address the large existing backlog of capital needs and create an estimated 270,000 direct jobs.** Beyond the public housing stock, the Section 8 Moderate Rehabilitation (**25,000 units**), Rent Supplement (**9,500 units**), and Rental Assistance programs (**11,300 units**) either offer no option to renew and risk being lost from the affordable housing stock or cannot renew on terms that attract sufficient capital to preserve long-term affordability

#### CONVERSION OF PROPERTIES

HUD is committed to utilizing its operating and capital funds in the most effective ways possible. At the same time though, the Department continues to face challenges in maintaining an aging public housing stock, of which half the units were constructed prior to 1970. These older units require continued investment to remain viable, with an increasing backlog of modernization needs estimated at \$20-30 billion, and an estimated 15.5 percent of units not meeting HUD's physical standards. It is incumbent upon the Department to find alternative, sustainable means, other than direct capital grants, to meet these needs – particularly because public housing serves tremendously vulnerable families who have few options in the event that their housing is lost. Because of these realities, **\$200 million for the Transforming Rental Assistance (TRA) initiative demonstration is designed to preserve public and assisted housing by increasing access to private capital and management techniques.**

Specifically, this TRA funding request will be used for the incremental cost of converting public housing, Section 8 Moderate Rehabilitation, Rent Supplement, and Rental Assistance programs to an improved form of long-term, project-based Section 8 contracts. These funds are estimated to allow for the **conversion of approximately**



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**255,000 public housing units, 1,600 Rent Supplement and Rental Assistance Program units, and 6,000 Moderate Rehabilitation units.** Participation in the initiative will be voluntary. HUD intends through the conversion process to assure the physical and financial sustainability of properties and enable owners to leverage private financing to address immediate and long-term capital needs, improve operations, and implement energy-efficiency improvements. PHAs and private owners will be offered the option of converting their current subsidy to long-term project-based rental assistance contracts that include a resident mobility feature.

To support the conversion process, HUD will use existing funds to train HUD staff in the asset and property management skills needed to support local agencies and owners that convert projects to project-based Section 8 contracts. In addition, Transformation Initiative (TI) funds will be used to provide technical assistance to assist PHAs and other owners of converted properties to understand the provisions in TRA, comply with new regulations, and develop new property management and administration techniques that conform to new regulations. TI funds will also be used to support a process assessment of the project conversions.



Taken together, HUD is committed to responding to the growing demand for safe, decent, and sanitary affordable housing with creative solutions to meet those needs. TRA will provide project owners the resources to make affordable housing physically and financially stable for the long-term, stem the loss of Public Housing units, and target the RAP, Rent Sup and Mod Rehab units at greatest risk of leaving the affordable housing stock.